

**Najib: GDP target to stay**  
**The Malaysian Insider**  
**August 18, 2011**  
**By Clara Chooi**

PUTRAJAYA, Aug 18 — Datuk Seri Najib Razak remains hopeful over the country's economic outlook for the year although Malaysia chalked its fifth consecutive decline in GDP growth last quarter, pointing out today that inflation has remained "manageable" and the budget deficit target "on track".

The prime minister told a brief press conference here today that there were no plans to revise Putrajaya's 5 to 6 per cent GDP (gross domestic product) forecast although growth had decelerated to its slowest pace of 4 per cent since the 2009 recession.

But Najib (picture) echoed Bank Negara governor Tan Sri Zeti Akhtar Aziz's views yesterday that while stronger growth is expected in the second half of the year, Malaysia's GDP would likely be "closer to 5 per cent".

"We have already said our estimate for this year is 5 to 6 per cent. But we estimate it will likely be closer to 5 per cent.

"The world economy is very volatile and uncertain so it is hard to fix a number for an estimate. We decide according to a range and the range is 5 to 6 per cent so we will retain this," he told reporters after chairing a National Finance Council meeting at the Finance Ministry.

The prime minister said the government was still on track with its target to reduce the fiscal deficit to 5.4 per cent of the GDP this year.

"Deficit, so far so good. In a sense that our commitment to reduce deficit from 5.6 per cent to 5.4 per cent is on track," he said.

The Najib administration aims to trim the government's fiscal deficit, which hit a 20-year high of seven per cent in 2009, from 5.6 per cent last year to 5.4 per cent.

"Inflation too is still manageable. Latest figures showed a drop.

"Steps taken, such as controlling and reducing the price of chicken, have affected the inflation rate. We hope to record a low inflation rate while at the same time see a robust economy," he said.

Bank Negara announced yesterday that Malaysia's economic growth had decelerated to its slowest pace of four per cent since the 2009 recession as the country was hit by a slowdown in external demand and a moderation in government spending.

Zeti had said that the nation's economic fundamentals were still strong with a 5.2 per cent growth in domestic consumption, low unemployment and low levels of impaired loans at only two per cent.

With concerns mounting over a global economic slowdown, the central bank will now have to balance the need to fight inflation while supporting economic activity in setting interest rates.

Zeti said inflation hit 3.4 per cent in July and 3.3 per cent for the first half of the year.

The Malaysian economy grew 7.2 per cent in 2010 as it rebounded from the global economic slowdown in 2009. The global economy this year, however, has been shaken by the spread of the euro zone debt problem to Italy and Spain and by fears that the recovery of the US economy may be faltering.

Reflecting the fears of slower economic growth, Bank Negara has so far raised borrowing costs only once this year to three per cent compared with three increases in 2010 despite inflation hitting its highest level in two years in June.

The Malaysian Insider

Copyright © 2011 The Malaysian Insider

Source: <http://www.themalaysianinsider.com/malaysia/article/najib-gdp-target-to-stay/>